

DECISION RECORD AND FINDING OF NO SIGNIFICANT IMPACT

Hudson Group, LLC
Scotty Lake Coalbed Natural Gas Pilot Project EA
EA Number WY-030-04-EA-359

Introduction

Hudson Group, LLC (Hudson) of Casper, Wyoming has proposed a pilot project in the Scotty Lake Coalbed Natural Gas (CBNG) Pilot Project Area (SLPA) located in Sweetwater County, Wyoming. The SLPA is located on federal surface and mineral estate administered by the Bureau of Land Management (BLM), Rawlins Field Office (RFO).

The Scotty Lake CBNG Pilot Project consists of the construction, drilling, completion, testing, and possible production of up to 18 coalbed natural gas well locations along with the construction, maintenance, and use of appurtenant access roads, gas and water gathering pipelines and the surface disposal of water produced in conjunction with coalbed natural gas production. The SLPA encompasses approximately 2,880 acres. The pilot project would be implemented in three phases over a period of approximately three years and the life of the project is estimated to be 25 years should any/all of the wells prove to be commercially productive.

The SLPA is located in Township 26 North, Ranges 96 and 97 West, in Sweetwater County, Wyoming. Access to the SLPA is provided by several BLM roads from either the Crooks Gap-Wamsutter County Road to the east or Interstate I-80 to the south. The SLPA is located approximately 40 miles northwest of Wamsutter, Wyoming.

Alternatives Considered

The Environmental Assessment (EA) for the Scotty Lake CBNG Pilot Project considered two alternatives. The Proposed Action Alternative assessed and disclosed the projected effects of Hudson's proposal as outlined above and detailed in the "Proposed Action" portion of the environmental assessment. The "No Action" alternative assessed the effects of not implementing any portion of the proposal. Under the No Action Alternative, the RFO analyzed the effects of a denial of any further development associated with this project.

Alternatives including the re-injection of produced water and use of directional drilling techniques were considered, but not analyzed in detail further due to (1) the exploratory nature of the proposed pilot project and (2) the technological and economical limitations imposed by these alternatives for this particular project.

Decision

Based upon the analysis of the potential environmental impacts described in the EA, and in consideration of the public, agency, and industry comments received for the environmental assessment, the RFO has selected the Proposed Action alternative to be implemented. The decision incorporates the Applicant-Committed Environmental Protection Measures identified in Section 2.3 and the mitigation measures identified for specific resource components in Chapter 4.0 of the EA.

Approved Project Components

The decision authorizes the permit approvals for the following project components within the SLPA, subject to the requirements identified in Section 2.3 of the EA and the site-specific Conditions of Approval/Terms & Conditions applied to each APD or Right-of-Way.

- Construction, drilling, completion, production, and reclamation at 18 coalbed natural gas well locations within the SLPA.
- Construction of new access roads and facilities associated with coalbed natural gas exploration, including gas/water gathering pipelines, production facilities, and surface water discharge structures.
- Upgrade, use, and maintenance of existing roads.

Rationale for Decision

The decision to approve the operator's proposed development was based upon the following factors:

1. Consistency with the Great Divide and Lander Resource Management Plans
2. National policy
3. Agency statutory requirements
4. Relevant resource and economic considerations
5. Application of measures to avoid or minimize environmental harm
6. Finding of no significant impact
7. Public comments, and
8. Consistency with the purpose and need for action

1. Consistency with Land Use and Resource Management Plans

The proposed action is in conformance with the planning direction developed for this area. The objective for oil and gas management decisions described in both the Great Divide and Lander Resource Management Plans (1990, 1987) is to "provide for leasing, exploration, and development of oil and gas while protecting other resource values."

2. National Policy

Private exploration and development of federal oil and gas leases is an integral part of the Bureau of Land Management's oil and gas leasing program, under the authority of the *Mineral Leasing Act of 1920* and the *Federal Land Policy and Management Act of 1976*. The United States continues to rely heavily upon foreign energy sources. Oil and gas leasing encourages development of domestic oil and gas reserves, and reduces the United States' dependence upon foreign energy supplies. Therefore, the decision is consistent with national policy.

3. Agency Statutory Requirements

The decision is consistent with all federal, state, and county authorizing actions required to implement the proposed action. All pertinent statutory requirements applicable to this proposal were considered.

4. Relevant Resource and Economic Considerations

Environmental impacts from the project to resources identified in the EA are minor and all deemed acceptable. Positive economic benefits are expected from this proposal.

5. Application of Measures to Avoid or Minimize Environmental Harm

Federal environmental protection laws such as the *Clean Air Act*, the *Clean Water Act*, and *The Historic Preservation Act* apply to all lands and are included as part of the standard oil and gas lease terms. The adoption of the mitigation and monitoring measures identified in Chapters 2 and 4 of the project EA, along with the site-specific Conditions of Approval to be found in the Applications for Permit to Drill (APD) or Rights-of-Way, represent the best means to avoid or minimize environmental impacts.

6. Finding of No Significant Impact

Based upon the analysis of potential environmental impacts contained in the EA, the Authorized Officer has determined that the Proposed Action, with implementation of the protective measures identified in Appendix B of the EA and the site-specific Conditions of Approval applied to each APD, would not cause a significant impact to the quality of the human environment. An Environmental Impact Statement is not necessary.

7. Public Comments

The BLM conducted public scoping for this project between March 17, 2004 and April 19, 2004. A total of ten comments were received by the BLM. The BLM subsequently requested comments on the prepared EA from the public, local landowners; and Federal, State, Local and County Agencies. The BLM released a press release with a brief summary of the proposed action, location of the project, and information about how the public could comment. In addition, the EA and its appendices and reference documents were posted on the BLM Wyoming internet site for review and downloading. The comment period ran from August 6, 2004 to September 7, 2004. A total of five comments were received by the BLM. The summarized comments and BLM's responses are found in Appendix B of this Decision Record.

8. Purpose and Need for Action

The purpose of the proposed development is to exercise the lease holders' rights within the project to drill for, extract, and market gas products. National mineral leasing policies and the regulations by which they are enforced recognize the statutory right of lease holders to develop federal mineral resources to meet continuing national needs and economic demands so long as undue and unnecessary environmental degradation is not incurred.

Appeal

Under BLM regulation this decision is subject to appeal. Under BLM regulation, this decision is subject to administrative review in accordance with 43 CFR 3165. Any request for administrative review of this decision must include information required under 43 CFR 3165.3(b) (State Director Review), including all supporting documentation. Such a request must be filed in writing with the State Director, Bureau of Land Management, P.O. Box 1828, Cheyenne, Wyoming 82003 within 20 business days of the date this Decision Record is received or considered to have been received.


A handwritten signature in black ink, appearing to read "J. Carpent", is written over a horizontal line. To the left of the signature, the word "ADMIN" is printed in a small, bold, sans-serif font.

Field Manager, Rawlins Field Office

September 21, 2004

Date

Appendix A to the Decision Record

ERRATA

Modifications and Corrections To The
Scotty Lake CBNG Pilot Project
Environmental Assessment

Chapter 3 - Affected Environment

Page 34, Section 3.5, the second sentence “The Wasatch Formation occurs ...” is repeated in the following (3rd) sentence. The repeated sentence shall be deleted.

Page 34, Section 3.5, in the fourth sentence, the Wasatch Formation is reported as Paleocene-age, when in fact it is Eocene-age. The sentence “The Wasatch Formation was deposited (formed) during the Eocene epoch of the Tertiary Period.” shall be added.

Chapter 4 - Environmental Consequences

Page 61, Section 4.9.1.2, the last sentence of the paragraph, “Since population numbers for both ...” shall be deleted.

Page 68, Section 4.11.2 Air Quality shall be revised to “Section 4.11.1 Air Quality”.

End Errata

Appendix B to the Decision Record

Summary of EA Comments and BLM Responses

The EA was released for a 30-day public review period on August 6, 2004. A total of five comment letters were received. The letters have been reviewed to determine whether the information they provided would warrant a determination other than a Finding of No Significant Impact (FONSI). Substantive comments are summarized in bold below, with BLM responses to the comments in italics. The RFO would like to thank those who commented for taking the time to review the EA and provide comments.

1. Petroleum Association of Wyoming

- a. **“In conclusion, with the exception of the socio-economic analysis, PAW believes that all concerns have been adequately addressed and mitigated to insignificance.”**

Appendix B of the EA, under “Impacts to Social/Economic Values”, points out that implementation of the proposed action would ultimately have a positive impact on the economy of Sweetwater County through increased revenues generated by additional hydrocarbon production from leases. As a pilot project, however; it would be difficult to quantify or predict potential revenue.

2. State of Wyoming, Office of State Lands and Investments

- a. **“... and at this time, has no specific concerns or issues regarding the proposed action.”**

Thank you for your comment.

3. State of Wyoming, State Geological Survey

- a. **On page 34, Section 3.5, “The Wasatch Formation is reported as Paleocene-age, when in fact it is Eocene-age.”**

See Appendix A of this Decision Record, “Errata”, for this correction.

4. Brice Carpenter, interested public

- a. **“The Environmental Assessment completed for this project is thorough, and demonstrates the minimal impacts this project will have on the environment.”**

Thank you for your comment.

5. State of Wyoming, Game and Fish Department

- a. **“We recommend discharging produced waters into drainages in the Great Divide Basin to help minimize drift of livestock.”**

Appendix D of the EA (Water Management Plan) describes discharge point siting and design. Because conveyance losses are expected to be high in the project area, most discharge points will be directly into drainages within the Great Divide Basin. Where channel gradients or erosion potential are a concern, evaporation/infiltration ponds may be utilized. Any individual ponds or

pits deemed necessary can be designed or fenced to manage wildlife, wild horse, and/ or livestock access.

- b. **“This highlights the need for cumulative analysis of habitat loss and displacement, and this project’s expected contribution to those impacts.”**

Please refer to Section 4.11.8.1 regarding cumulative impacts to big game species.

- c. **“Also, recent gas field developments have expanded onto intermixed private leases, not addressed in that EIS, along with requests to the Oil & Gas Commission for increased well densities. Clearly, the assumptions and analyses of that EIS are out of date with the existing situation in the Red Desert and should not be used in lieu of an up-to-date cumulative impacts analysis for this project.”**

The Continental Divide/Wamsutter II Natural Gas EIS addresses oil and gas development within intermixed private and federal leases, including well densities of up to 8 wells per section. These numbers have not been exceeded.

The Desolation Flats EIS (2004) analysis showed only localized air quality emissions from oil and gas development in the subgrid and near field assessment domains. Any new development, including the 18 wells in this proposal, will contribute incrementally to far field visibility impairment.

- d. 1. **“The document should address impacts to sage-grouse from noise from future well sites, during both development and production.”**
2. **“We recommend the project area be searched for any unmapped leks prior to allowing surface disturbing activities.”**
3. **“The document makes no reference to projected impacts to sage-grouse leks that would occur from increased vehicular traffic associated with this project.”**

There are no known greater sage-grouse leks within two miles of the project area. The BLM and WGFD biologists also routinely monitor the project area, and no additional leks have been observed or identified. The heaviest traffic associated with the project would occur during construction and drilling of the wells, which would be temporary.

- e. **“...we recommend that the discharge water be monitored at several points throughout the drainage to determine the impacts, both positive and negative.”**

Page 10 of Appendix D of the EA (Water Management Plan) addresses both monitoring and mitigation associated with the project.